
Procure-to-Pay Capability Summary

PUBLICATION DATE: May 15, 2019

SUBJECT: Quick Closeout

BACKGROUND: GAO Report 17-738 identified that the Department of Defense (DoD) has a large backlog of flexibly priced contracts that are overage for closeout. One opportunity to reduce this backlog would be to use Quick Closeout Procedures which allow for the accelerated closeout of flexibly priced contracts without requiring final settlement of contractor overhead rates. Working with the DCMA Quick Closeout Team and the Contract Closeout Working Group, Defense Pricing & Contracting (DPC) developed a deviation that will greatly expand the applicability of Quick Closeout Procedures.

POLICY: The deviation is to Federal Acquisition Regulation (FAR) 42.708(a)(2) which limits the use of Quick Closeout of contracts where the unsettled direct and indirect costs are under \$1,000,000 and less than 10% of the total contract amount. It allows for the use of Quick Closeout for contracts with up to \$2,000,000 in unsettled direct and indirect costs without regard to the percent of contract value. This class deviation also supersedes and incorporates the DCMA Quick-Closeout Procedure Class Deviation (DCMA 17-142), dated August 15, 2017. The deviation can be found on the DPC website:

<https://www.acq.osd.mil/dpap/policy/policyvault/USA001078-19-DPC.pdf>

IMPACT: Deviating from the FAR increases the applicability of Quick Closeout Procedures to 76.3% of DoD flexibly priced contracts.

GAO report 17-738 identifies the benefits of timely closeout, "Closing contracts within required time frames can help to limit the government's exposure to certain financial risks by identifying and recovering improper payments and avoiding paying interest fees when the government does not pay contractors on time. Timely closeout also ensures that DOD deobligates and uses unspent funds from completed contracts before the funds are canceled and returned to the U.S. Department of the Treasury." Additionally, having contracts awaiting closeout creates an administrative burden to track and report on the closeout status of open contracts. That effort is estimated at 1 hour per contract per year.

Utilizing Quick Closeout procedures can accelerate closeout by 1 to 3 years resulting in an estimated savings from increasing the number of contracts eligible for Quick Closeout. This is projected to result in an avoidance of 18,690 hours and costs of \$645,000 annually.

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